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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Inquiry into Policies and Programs )  
to Assure Universal Telephone )  
Service in a Competitive )  
Market Environment )

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RM-8388

**Comments of General Communication, Inc.**

General Communication, Inc. (GCI) hereby comments on the Petition of MFS Communications Company, Inc. (MFS) For a Notice of Inquiry and En Banc Hearing<sup>1</sup> filed on November 1, 1993. The Petition proposes to begin a Notice of Inquiry (NOI) and convene an en banc hearing on an accelerated basis to determine future policies for universal service in a competitive marketplace. GCI supports addressing the issues raised in the Petition and urges the Commission to consider them in its investigation of a broad spectrum of USF issues in CC Docket 80-286. The Notice should be promptly issued.

**Introduction**

The Universal Service Fund (USF) is a program to subsidize local exchange carriers (LECs) that have loop costs that exceed 115 percent of the nationwide average. Interexchange carriers (IXCs) and their customers pay this subsidy to LECs. GCI makes payments to the USF to support LECs. The Joint Board recently adopted an interim resolution requesting that the Commission

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<sup>1</sup>Comment is sought on the Petition Pursuant to FCC Public Notice, Report No. 1986, released November 16, 1993.

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implement rules to index the Universal Service Fund (USF).<sup>2</sup> The USF will be allowed to grow at a rate no greater than the rate of growth in the nation's total working loops. This interim structure will remain in effect for no longer than two years.

### **MFS Proposal**

MFS proposes that the Commission begin a NOI and convene an en banc hearing on issues relating to USF. MFS states that the following issues must be investigated: (1) Which service or users require subsidization? (2) How much subsidy is actually required? (3) Who should administer subsidy programs? and, (4) How should subsidy funds be raised? These issues are relevant to the USF inquiry and should be addressed in the Commission's inquiry on the long term solution of the USF.

GCI agrees that the Commission should evaluate whether the subsidies that currently go to the Local Exchange Carriers (LECs) should go directly to the consumer. These subsidies, like all other subsidies to individuals, could be targeted based on income, disability and other consumer characteristics, instead of automatically giving the subsidies to the LECs. Whatever is adopted, an environment should be created where competition is encouraged in rural areas, not totally discouraged to the protection of the LECs. The LECs should not be protected; consumers should be protected.

Also, the Commission must determine how much subsidy is actually required. The current claims by LECs should be subject to careful analysis with

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<sup>2</sup>Recommended Decision, CC Docket 80-286, FCC 93J-3 (released December 10, 1993).

the Commission determining what types of costs should be considered in determining USF. The Commission should look at, among other things, corporate operating expenses, capital leases, current loop allocations, network operations, threshold for USF assistance, and minimum local rates. Further, any LEC that receives USF payments should be subject to reporting requirements with full public disclosure. If the LEC says that this requirement is too burdensome, then that LEC can opt not to receive USF. Otherwise, the LEC should present full data in support of their USF claims. The LEC can determine from a business point of view, if USF payments are required by the company. However, without full disclosure, the LECs should not be able to obtain USF.

GCI wholeheartedly agrees with MFS that the National Exchange Carriers Association (NECA), a LEC organization, should not administer the USF. The Commission should issue an RFP to get the most reliable and cost effective third party to administer the USF. The administrator should not represent any segment of the industry.

All telecommunications providers should be required to contribute to the USF. Carriers that provide service should be given credits for the provision of that service to eligible users. Any carrier that does not provide the service would make a cash payment to the fund. Carriers should be allowed to offer a mix of credits and cash payments to the fund to fulfill their obligation.

It should be noted that GCI does not support elimination of the USF. GCI supports the USF as an important public policy provision to encourage expansion of all networks. However, the Commission should begin the long term evaluation of the process since it appears that the intent of the USF has been

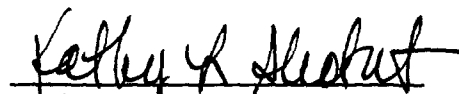
manipulated. GCI believes that LECs, or alternatively consumers, that need USF support should continue to receive it. The long term viability of the USF is dependent on modifications that ensure that the fund is properly limited. This final determination should be made in the rulemaking proposed by the Commission to look at the long range impacts of the fund. The MFS petition should be incorporated into that proceeding.

### **Conclusion**

GCI supports addressing the issues raised in the Petition and urges the Commission to consider them in its investigation of a broad spectrum of USF issues in CC Docket 80-286. The Notice should be promptly issued.

Respectfully submitted,

GENERAL COMMUNICATION, INC.



Kathy L. Shober  
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December 16, 1993

**STATEMENT OF VERIFICATION**

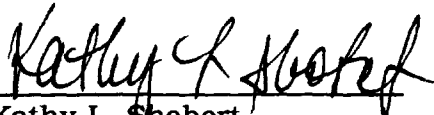
I have read the foregoing, and to the best of my knowledge, information and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed December 16, 1993.

A handwritten signature in black ink, appearing to read "Kathy L. Shobert", written over a horizontal line.

Kathy L. Shobert  
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**CERTIFICATE OF SERVICE**

I, Kathy L. Shobert, do hereby certify that on this 16th day of December, 1993, a copy of the foregoing Comments of General Communication, Inc. was mailed by first class mail, postage prepaid, to the parties listed below.

  
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